

Business Opportunity

**For Traditional Bathhouse and Massage Therapy Visitor
Services**

at Hot Springs National Park

CC-HOSP002-11

Department of the Interior

National Park Service

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1 Introduction

1.1 Foreword

This section describes in general terms the future business opportunity for traditional bathhouse and spa services within Hot Springs National Park (the “Area”).

Potential Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the attached Draft Contract, including its exhibits, to determine the full scope of the New Concessioner’s responsibilities under the Draft Contract.

This Prospectus is issued under the authority of the National Park Service Concessions Management Improvement Act of 1998, 16 U.S.C. §§ 5951-5966, 112 Stat. 3503, Pub. L. 105-391 as implemented by 36 C.F.R. Part 51, both are included for reference in Appendixes 1 and 2. In the event of any inconsistency between the terms of this Prospectus and 36 C.F.R. Part 51, 36 C.F.R. Part 51 will control. Additionally, in the event of any inconsistency between the terms of the attached Draft Contract and this Business Opportunity section, the attached Draft Contract will control.

1.2 The National Park Service and its Mission

Congress created the National Park Service (NPS) to

...conserve the scenery and the natural and historic objects and the wild life therein, and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (16 U.S.C. § 1)

Additionally, Congress has declared that the National Park System should be:

...preserved and managed for the benefit and inspiration of all the people of the United States. (16 U.S.C. §§ 1a-1)

The overall mission of the NPS is the preservation and public enjoyment of significant aspects of the nation’s natural and cultural heritage. To learn more about the NPS, visit www.nps.gov. This site includes information about the NPS, its mission, policies, and individual parks.



1.3 Hot Springs National Park Background and Mission

The setting aside by the federal government of Hot Springs Reservation in the Territory of Arkansas in 1832, an act that preceded the establishment of Yellowstone National Park by 40 years, is thought to have been the first effort by Congress to preserve unique natural resources for the benefit of the American people. At a time when thermal baths were becoming popular for their assumed therapeutic value, these springs were to be preserved for the public's benefit. In 1878, Congress authorized the Secretary of the Interior to lease bathhouses at Hot Springs Reservation.

In 1921, Congress passed an act which redesignated the Reservation a National Park. The boundaries of the national park were greatly expanded by Congress in 1938. The Park now had extensive land with which to provide many recreational opportunities to the public. Both as a federal Reservation and a National Park, this pioneer effort in American conservation covers the period in which the spa movement began, flourished, came to be an important social and medical phenomenon, and declined. Today, Hot Springs National Park's Bathhouse Row is a reminder of that historic period.

To learn more about the Area, visit www.nps.gov/hosp.

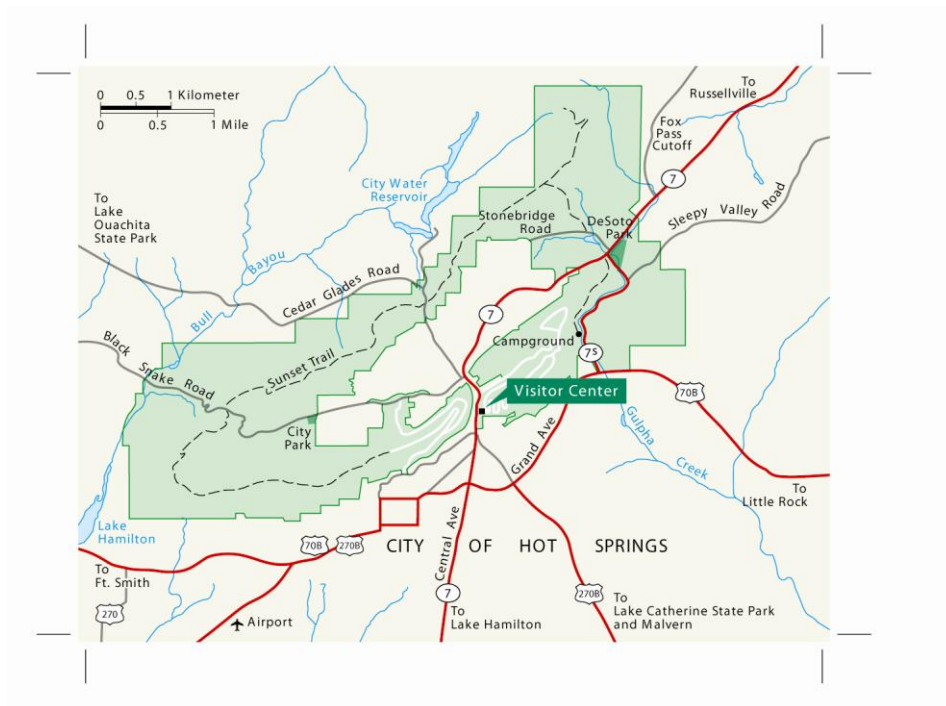


1.4 Location

Exhibit 1-A presents an area map showing the Area and nearby landmarks. The Area is located in the south-central part of the state of Arkansas, 52 miles southwest of the state capital, Little Rock. Major transportation arteries within the region are U.S. Highways 70 and 270 and State Highway 7. The park is located within the city of Hot Springs, Arkansas but also includes over 5,500 acres of mostly forested mountains of the Ouachita (Wash-i-taw) Range.

For a more detailed map of the Park, visit www.nps.gov/hosp.

Exhibit 1-A. Area Map

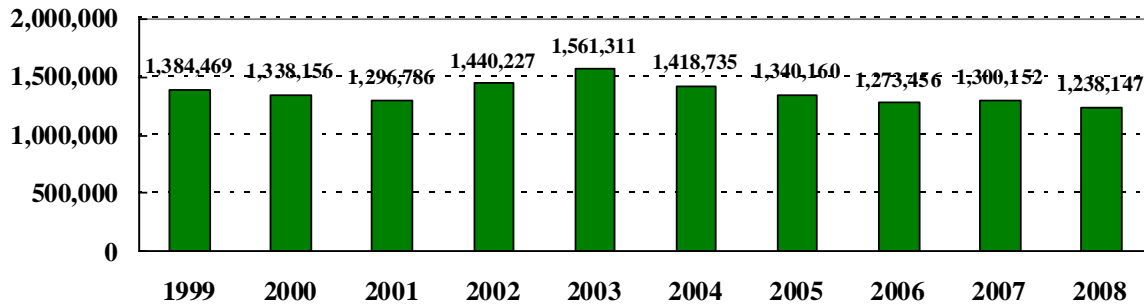


Source: www.nps.gov/hosp

1.5 Visitation

Exhibit 1-B presents annual recreational visitation at Hot Springs National Park. As can be seen in Exhibit 1-B, visitation is generally very stable.

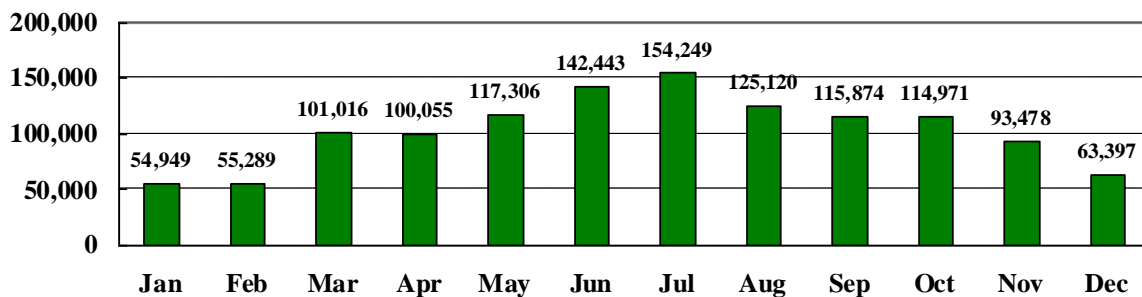
Exhibit 1-B. Annual Recreational Visitation



Source: Public Use Statistics Office (<http://www2.nature.nps.gov/stats/>)

Exhibit 1-C presents monthly recreational visitation to Hot Springs National Park. As can be seen in Exhibit 1-C, visitation is seasonal with most visitation occurring between Memorial Day and Labor Day. Recreational visitation statistics for the Buckstaff Bathhouse are included in Appendix 5.

Exhibit 1-C. Monthly Recreational Visitation (2008)



Source: Public Use Statistics Office (<http://www2.nature.nps.gov/stats/>)



2 Operations

2.1 Required Services

Exhibit 2-A presents a summary of visitor services required under the Draft Contract. Exhibit 2-A also identifies whether the required services materially differ from those required under the Existing Contract. The Draft Contract, including its exhibits, provides details on these required services.

Exhibit 2-A. Overview of Required Services

Service	Description	Material Differences from Current Contract
Traditional Bathhouse Experience	These services include: -Services of attendant -Individual tub bathing -Sitz baths -Vapor cabinets -Needle showers -Hot packs	No material change
Massage Therapy	As performed in industry	No material change

2.2 Authorized Services

In addition to the required services presented above, the New Concessioner will have discretion to provide services authorized under the Draft Contract. Exhibit 2-B presents the authorized services and identifies whether the authorized services materially differ from those authorized under the Existing Contract. The Draft Contract, including its exhibits, provides details on these authorized services.

Exhibit 2-B. Overview of Authorized Services

Service	Description	Material Differences from Current Contract
Merchandise; Manicures and Pedicures; Facials; Paraffin Treatments	Merchandise related to the spa experience along with spa services	Required and authorized services were not broken out in the existing contract; spa services have always been part of the experience and have expanded over time.

2.3 Assigned Land and Facilities

Exhibit 2-3 provides a summary description of the land and facility assigned to the Concessioner for use in conducting operations under the Draft Contract.



Exhibit 2-3. Overview of Land and Facility Assignments

Location (Land / Facility)	Description	Material Differences from Current Contract
Buckstaff Bathhouse (Facility)	23,825 sf facility located on bathhouse row; one of eight historic structures on “Bathhouse Row” on main street in downtown Hot Springs.	No material change.

3 Operating Environment**3.1 Direct Competition to Concessioner**

Exhibit 3-A identifies businesses that directly compete with the concession operation and are located in the Area and/or in the immediate vicinity of the Concession Facilities. Exhibit 3-A is not intended to be an exhaustive listing of all potential competition. Potential Offerors must conduct their own research to evaluate the competitive environment.

Exhibit 3-A. Direct Competition

Competitor	General Location	Competing Services
The Springs hotel; Austin hotel; Arlington hotel; Quapaw Baths & Spa; Embassy Suites Etc.	There are many hotels and spa treatment facilities in the downtown area of the city of Hot Springs.	Only a few of the competitors purchase thermal water from the park and only one of these is located in the park. Some competitors offer similar spa services or baths.

3.2 Area-Specific Attributes Potentially Impacting Concession Operations

Exhibit 3-B identifies several unique attributes of the Area that could potentially affect the concession operation. Exhibit 3-B is not intended to be an exhaustive listing of all unique attributes. Potential Offerors must conduct their own research to evaluate the operating environment.

Exhibit 3-B. Unique Attributes Potentially Impacting Concession Operations

Unique Attribute	Potential Impact to Concessioner
Summit Arena	Largest convention center in the state. Brings in visitors to attend major athletic and entertainment activities.
Oaklawn Park	Live thoroughbred horse racing at Oaklawn Park is available from January through April. Simulcast races are continued year round at the track. Visitation increases significantly for



	the downtown area during the live racing season.
Magic Springs and Crystal Falls Water Park	Open during the summer.

3.3 Concessioner Impact on Area Resources

The mission of the Area leadership includes protecting, conserving, and preserving Area resources. Exhibit 3-C describes resources that the concession operations most likely will affect. Exhibit 3-C is not intended to be exhaustive but instead focuses attention on effects that are particularly important to the Area.

Exhibit 3-C. Concessioner Impact on Area Resources

Area Resource	Description
Buckstaff Bathhouse	The Concessioner is assigned the Buckstaff Bathhouse facility which is a historic structure. The Park is committed to the proper preservation and maintenance of the facility. The Concessioner will have an important role in preserving and maintaining the facility as described in the Draft Contract. The Concessioner will also have the responsibility to conserve the use of the thermal water.

4 Investment and Expenses

4.1 Possessory Interest / Leasehold Surrender Interest

Any right the Prior Concessioner had to compensation for Possessory Interest (as defined by Public Law 89-249) under the Prior Contract will be fully satisfied under the terms of that contract, and the New Concessioner will have no obligation to compensate the Prior Concessioner for Possessory Interest in real property investments.

There will be no Leasehold Surrender Interest (LSI) in the Draft Contract.

4.2 Other Property

Section 13 of the Existing Contract requires the Existing Concessioner to sell and transfer to the New Concessioner “all other tangible property of the Concessioner used or held for use within the area in connection with such operations (Other Property).” Other property consists of personal property and merchandise (inventory).

NPS has estimated the value of personal property to be sold and transferred to the New Concessioner at \$166,000. This total includes the furniture and equipment held by the Existing Concessioner for use in the operation. A listing of these items is included as Appendix 6 of this Prospectus. This list is not necessarily complete.



NPS has estimated the value of merchandise (inventory) and supplies to be sold and transferred to the Concessioner at \$28,400. This estimate is based on historical inventory levels as reported in the Concessioner's Annual Financial Reports as reported to the Service.

Offerors should not rely on NPS estimates in preparing and submitting proposals in response to this Prospectus. Offerors must make their own determinations as to the scope of Other Property that is to be purchased from the Existing Concessioner and the estimates of compensation for that property.

If the Existing Concessioner and the New Concessioner cannot agree upon the value of any item or items of Other Property, the resolution will occur by the process described in Section 13 of the Existing Contract.

4.3 Concession Facilities Improvement Program

The Draft Contract does not require the New Concessioner to undertake and complete a real property improvement program (known as a Concession Facilities Improvement Program or CFIP).

4.4 Deferred Maintenance

The New Concessioner shall undertake and complete the curing of part of the deferred maintenance in the Concession Facility; the Park shall undertake the majority of the deferred maintenance in the Concession Facility. This program is estimated to cost \$362,266, of which the New Concessioner cost estimate is no more than \$39,458 during the first three years of the contract term.

A list of the deferred maintenance projects to be completed by the New Concessioner is included in Appendix 8. The New Concessioner operating under the New Contract and Park officials will coordinate a definitive plan to address any maintenance issues of an immediate nature as determined by the Park.

4.5 Utilities

Exhibit 4-B presents information related to utilities provided by the NPS.

Exhibit 4-B. Utilities

Utility	NPS- Provided?	Historical Rates and Costs	Proposed Rate in Year 1 of Draft Contract	Comments
Thermal Water	Yes	Total paid in 2008 was \$2,723 (10,892,000 gallons)	Thermal water charge will be \$2.70 per 1000 gallons used.	Old contract charge \$.25 per 1000 gallons.



2008 Utility Costs for Concessioner (not provided by the NPS):

Electricity:	\$14,089.98 (Entergy)
Gas:	\$ 7,792.45 (CenterPoint Energy)
Water/sewer	\$33,922.39 (City of Hot Springs; the largest portion of this cost is the sewer fee for disposal of bathing water)
Telephone:	\$ 3,422.15

5 Financials**5.1 Concessioner Financial Projections**

The Proposal Package of this Prospectus requires Offerors to develop financial projections based upon the services under the Draft Contract. Offerors should exercise caution in using the historical information and NPS estimates. The NPS will not provide financial projections. Each offeror must conduct its due diligence, producing its own financial projections and relying on its own financial assumptions.

5.2 Gross Receipts by Department

Exhibit 5-A presents historical concession revenue by department for the past ten years. As can be seen from Exhibit 5-A, gross revenue has continued to grow over the term of the current contract. Significant increases were experienced in the merchandise and spa services departments. The Concessioner increased its offering of spa related merchandise such as bath lotions and creams, breaking out those departmental incomes beginning in 1999. The Concessioner also increased its offering of spa services such as manicures, pedicures and facials to compliment the traditional bathing experience. However, the majority (approximately 85%) of historical gross revenue still comes from the required bathing and massage services.

Exhibit 5-A. Gross Revenue by Department

Year	Traditional Bathing	Massage Therapy	Spa Services	Spa Related Merchandise	Total
2008	\$539,823	\$561,520	\$142,687	\$100,058	\$1,344,088
2007	\$588,253	\$609,906	\$174,162	\$110,088	\$1,482,409
2006	\$544,425	\$596,291	\$164,343	\$100,583	\$1,405,642
Total	\$1,672,501	\$1,767,717	\$481,192	\$310,729	

Source: Concessioner Annual Financial Reports

5.3 Rates

The Area ensures that the Concessioner's rates and charges to the public are commensurate with the level of services and facilities provided, and are reasonable, justified, and comparable with similar facilities and services provided in the private sector. The NPS will determine the reasonableness of rates based upon the NPS "Concession Management Rate Approval Guide."



The Operating Plan (Exhibit A to the Draft Contract) describes the current rate approval methods. Generally, rates are based on comparison with like services provided by the private sector, under similar circumstances and in the same general geographic region. The Superintendent approves all rates.

Exhibit 5-B presents the currently approved rates for the concession operation.

Exhibit 5-B. Currently Approved Rates

Service	Currently Approved Rate
Bath	\$22.00
Whirlpool	\$2.00
Loofa Mitt	\$4.00
Massage	\$27.00
Manicure	\$22.00
Pedicure	\$32.00
Facial (30 min)	\$39.50
Facial (60 min)	\$69.50
Paraffin Treatment	\$11.00

5.4 NPS Financial Analysis

The Draft Contract requires a minimum franchise fee of 2% of annual gross receipts. The fee is low due to the increase in thermal water charges. Offerors may propose a higher franchise fee in accordance with the terms of this Prospectus.

The NPS performed a franchise fee analysis to establish the minimum franchise fee, which considered historical financial information as well as projections for the term of the contract. The NPS used the Capital Asset Pricing Model in the fee analysis. The NPS considers franchise fee analysis as confidential and does not release copies.

The current franchise fee for the Existing Contract is 0% of annual gross receipts. The existing concessioner paid, as required by law, an annual “tubage fee” of \$30.00 per annum for each bathtub used. The “tubage fee” will continue throughout the duration of the new contract as required by law. A copy of Act of Congress of March 3, 1891, 26 Stat.842, is included in Appendix 7.

6 Additional Contract Terms

6.1 Preferred Offeror Determination

The NPS has determined that the Existing Concessioner is not a Preferred Offeror for this Draft Contract pursuant to the terms of 36 C.F.R. Part 51.



6.2 Term and Effective Date

The Draft Contract is for a term of 10 years beginning on its effective date, which is estimated to be January 1, 2011. The effective date of the Draft Contract may change prior to contract award if determined necessary by the NPS. The expiration date of the Draft Contract will be changed accordingly if a material adjustment is made to the effective date that significantly affects the business opportunity.

7 Site Visit

To help potential Offerors conduct due diligence, a site visit may be scheduled with Area personnel. Area personnel can provide an overview of the Area, along with a tour of the existing Concession area associated with this Draft Contract. For more information, please contact:

Superintendent
Hot Springs National Park
101 Reserve Street
Hot Springs, Arkansas 71901
501-623-2824

